

# DEPARTMENT OF HOMELAND SECURITY

## Office of Inspector General

### Independent Review of The U.S. Immigration and Customs Enforcement's Reporting of FY 2006 Drug Control Funds



**OIG-07-71**

**August 2007**



**Homeland  
Security**

**AUG 22 2007**

MEMORANDUM FOR: Julie L. Myers  
Assistant Secretary  
U.S. Immigration and Customs Enforcement

FROM: Richard L. Skinner *Richard L. Skinner for*  
Inspector General

SUBJECT: *Independent Review of the U.S. Immigration and Customs  
Enforcement's Reporting of FY 2006 Drug Control Funds*

We have reviewed management's assertions in Section B of the accompanying U.S. Immigration and Customs Enforcement's (ICE) annual report of FY 2006 drug control funds (Submission). The Submission, including the assertions made, is required by 21 U.S.C. § 1704(d) and Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting* (Circular), and is the responsibility of ICE's management.

Our review was conducted according to attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions in Section B of the Submission. Accordingly, we do not express such an opinion as a result of our review.

The *Independent Auditors' Report* for the *FY* 2006 financial statements of the Department of Homeland Security (DHS), of which ICE is a part, addresses material weaknesses related to financial management, financial reporting, and financial systems. ICE contributed to the material weaknesses related to financial reporting and has formulated a plan to correct these weaknesses by FY 2009. Reportable conditions are matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditors' judgment, could adversely affect DHS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be

detected within a timely period by employees in the normal course of performing their assigned functions.

Based on our FY 2006 review, except for the effects, if any, of the material weaknesses, as described above, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission (Attachment B) are not fairly stated in all material respects based on the criteria set forth in the Circular.

During our FY 2005 review, we did not perform any tests related to reprogrammings and transfers due to what we considered "incomplete criteria against which to evaluate the subject matter, in terms of measurability and applicability for multi-mission bureaus." However, ONDCP later requested that we perform additional procedures in these areas to satisfy the requirements. During the performance of these additional procedures, we noted that ICE did not have formal mechanisms or procedures in place to track reprogrammings and transfers affecting drug funds as they occur, or to alert management when the \$5 million threshold is reached so that the necessary approvals can be obtained from ONDCP. As such, we conducted an FY 2006 review of ICE's handling of reprogrammings. We noted that the agency now has a manual process for tracking reprogrammings. However, no formal procedures have been developed to manage the process. Based on the information provided by ICE and from our inquiries, reprogrammings did not meet the \$5 million threshold in FY 2006.

Also, in our FY 2005 review we did not test ICE's compliance with ONDCP issued Fund Control Notices due to what we considered "incomplete criteria against which to evaluate the subject matter, in terms of measurability and applicability for multi-mission bureaus." In our FY 2006 review we asked ICE budget personnel about the procedures in place to alert them concerning compliance with the Fund Control Notices. They informed us that they do not monitor drug obligations to determine whether they are in compliance with the Fund Control Notices. They informed us that their systems are not geared towards providing such information. ICE officers record the type of work performed in the system periodically. Then, at the end of each year a report is run which summarizes the type of cases worked. A percentage is derived by dividing the number of case hours linked to drug activities by the total number of case hours. We recommend that ICE upgrade its systems and revise the procedures used to record case hours in order to track drug obligations on a regular basis to determine compliance with the Fund Control Notices.

We provided a copy of this report in draft to ICE. ICE's comments to the report are included as Attachment A. Following our review of management's comments, we do not agree that the report implies that financial obligations and case hours are captured in the same system. In fact, the report refers to multiple systems and not a single system. Additionally, we do not understand how "ICE's Office of Chief Financial Officer would know to coordinate with the relevant programs to ensure compliance with the notice" when Budget personnel informed us that they do not monitor drug obligations to determine compliance with the Funds Control Notices at all.

This report is intended solely for the information and use of ICE, DHS, ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Should you have any questions, please call me, or your staff may contact James L. Taylor, Deputy Inspector General, at (202) 254-4100.

Office of the Assistant Secretary

U.S. Department of Homeland Security  
425 I Street, NW  
Washington, DC 20536

AUG 13 2007



**U.S. Immigration  
and Customs  
Enforcement**

MEMORANDUM FOR. Richard L. Skinner  
Inspector General  
Department of Homeland Security  
FROM: *Theresa C. Bertucci*  
Theresa C Bertucci  
Deputy Assistant Secretary for Management  
SUBJECT: Independent Review of U.S. Immigration and Customs  
Enforcement's Reporting of FY 2006 Drug Control Funds

U.S. Immigration and Customs Enforcement (ICE) appreciates the opportunity to provide the following technical comments on the subject draft report. The following technical comment is submitted:

The report implies that financial obligations and case hours are captured in the same system. The report states that ICE Budget personnel responded that they do not monitor drug obligations to determine whether they are in compliance with Fund Control Notices and "their systems are not geared towards providing such information, ICE officers record the type of work performed in the system periodically."

It should be clarified that case information is entered into ICE's case management database, while financial transactions are properly maintained in a separate financial system. Further, if ICE is issued a Fund Control Notice, ICE's Office of the Chief Financial Officer coordinates with the relevant programs to ensure compliance with the notice.

**Department of Homeland Security  
U.S. Immigration and Customs Enforcement  
Detailed Accounting of Drug Control Funds During FY 2005**

**A. Table of Prior Year Drug Control Obligations**

	(in Millions)
	<b>FY 2006</b>
<b>Drug Resources by Function</b>	
Office of Investigations	380,762
Office of Intelligence	3,569
Total	<b>384,331</b>
<b>Drug Resources by Decision Unit</b>	
Salaries and Expenses	384,331
Total	<b>384,331</b>
<b>Information</b>	
Total Agency Budget	3,575,162
Drug Control Percentage	11%

**Disclosure No. 1: Drug Methodology**

Immigration and Customs Enforcement (ICE) is a multi-mission bureau, and obligations are reported pursuant to an approved drug methodology. Separate calculations are made for the Office of Investigations and the Office of Intelligence.

**1) Office of Investigations**

The methodology for the Office of Investigations is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system. Following the close of the fiscal year, a report is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. ~~A percentage is derived by dividing the number of investigative case hours~~ linked to drug control activities by the total number of investigative case hours. This percentage may fluctuate from year to year. For FY 2006, the percentage was 30.2%. To calculate a dollar amount, this percentage was applied to actual obligations incurred by the Office of Investigations against budget authority gained in FY 2006, excluding reimbursable authority.

Office of Investigations resources are entirely reported within the "Investigations" Drug Control Function and the "Salaries and Expenses" Budget Decision Unit.

## 2) Office of Intelligence

ICE employs the same methodology for calculating all drug control activities within the Office of Intelligence's budget. For FY 2006, 9.7% of the total case hours for Intelligence were found to be in support of drug control activities through an examination of data recorded in the Case Management System. This percentage was applied to actual obligations against budget authority gained in FY 2006 incurred by the Office of Intelligence for all activities.

Office of Intelligence resources are entirely reported within the "Intelligence" Drug Control Function and the "Salaries and Expenses" Budget Decision Unit.

### Disclosure No. 2: Methodology Modifications

The methodology for Investigations and Intelligence has not changed from FY 2005.

### Disclosure No. 3: Material Weakness or Other Findings

In 2006 Immigration and Customs Enforcement (ICE) provided reasonable assurance regarding its financial controls and reporting pursuant to the Department of Homeland Security (DHS) Financial Accountability Act, P.L. 108-330. Specifically, internal controls over financial reporting were designed effectively within the scope of the DHS Consolidated Balance Sheet audit and based on management's assessments of internal controls over financial reporting. Overall, ICE was able to reduce the number of material weaknesses from eight in FY 2005 to two in FY 2006, Budgetary Accounting and Financial Systems Security.

In 2006, ICE also reported, pursuant to 31 U.S.C. 3512(d)(2)(B), that its financial system conformed with government-wide requirements except for a non-conformance wherein ICE's financial accounting system did not interface with the acquisition and asset management systems. This did not prevent ICE from effectively managing acquisition or property management transactions entered into the accounting system because reconciliations were performed to ensure data integrity. An interface between the acquisition system and accounting system has been developed and is expected to be deployed in FY 2007.

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**This year ICE made substantial progress in building a culture of financial accountability** and instilling financial integrity throughout the organization. Structural changes within management were undertaken, including the appointment of ICE's first Deputy Assistant Secretary for Management. Key positions in the Office of the Chief Financial officer (CFO) were filled and Director positions within OCFO were elevated to Senior Executive Service positions. The Project Management Office was established, with responsibility for overseeing and monitoring a comprehensive Financial Action Plan (FAP). The FAP provided a structure and linkage across all CFO offices, ICE program offices, and

financial customers. As part of the FAP, ICE developed and implemented initiatives and corrective action plans to remediate known issues and deficiencies.

Also this year, considerable focus was given to strengthening ICE's Internal Control Program. A Senior Assessment Team, comprised of senior managers from both administrative and program areas, was established to provide oversight of internal control assessments, and to serve as a forum for discussing and resolving identified deficiencies. An entity-level assessment of internal controls was conducted, resulting in an assessment of ICE controls for standards relating to Control Environment, Risk Assessment, Information and Communication, and Monitoring. Three key financial reporting processes were documented and tests were conducted on the design of internal controls relating to these processes.

Disclosure No. 4: Reprogrammings or Transfers

	(in Millions) FY 2006		
	FY 2006 Base	Reprogrammings or Transfers	FY 2006 Total
<b>Drug Resources by Drug Control Function</b>			
Intelligence	3,066		3,569
Investigations	381,951	503 (2,719)	379,232
<b>Total</b>	<b>\$ 385,017</b>	<b>\$ (2,216)</b>	<b>\$ 382,801</b>
 <b>Drug Resources by Budget Decision Unit</b>			
Salaries and Expenses	385,017	(2,216)	382,801
<b>Total</b>	<b>\$ 385,017</b>	<b>\$ (2,216)</b>	<b>\$ 382,801</b>

Disclosure No. 5: Other Disclosures

None.

**B. Assertions**

Assertion No. 1: Obligations by Budget Decision Unit

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Not applicable.

Assertion No. 2: Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate in regard to the workload data employed and the estimation methods used.



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**Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,**  
**Washington, DC 20528.**

**The OIG seeks to protect the identity of each writer and caller.**

Assertion No. 3 Application of Drug Methodology

The methodology disclosed in this statement was the actual methodology used to generate the Table.

Assertion No. 4: Reprogrammings or Transfers

The data presented are associated with obligations against a financial plan that properly reflects changes from the rescission and from transfers.

Assertion No. 5: Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with the Fund Control Notice issued by the Director of the Office of National Drug Control Policy on September 19, 2003.

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